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OBSERVATIONS FROM PLANET EARTH

Richard Rooney had sworn off market forecasting until a startling chart changed his mind. In “Observations from Planet Earth,” he reflects on the trends driving today’s markets, what happens when they inevitably collide, and what this means for businesses that supply the basics of human life.

Late in 2025, I indulged in a market timing exercise. Looking back on two years of remarkable and painful divergence between Burgundy’s returns and those of the market averages, my instincts as a crafty market veteran were telling me that such a divergence was unsustainable. Time, I thought, for a humble yet tendentious piece noting this fact, while acknowledging the power of this tech cycle and striking a cautiously optimistic note about our portfolios. With luck, the long awaited restoration of some balance to the market would make “[A Different Game](#)” seem sane and sensible, if not prophetic. The voice of experience would again be heard and respected in the land.

The first half of 2026 instead reminds me of the old adage that when you think you’re at the bottom, they can always open the trapdoor.

New ways were found to be bullish in 2026, as fossil fuel prices, which had been well behaved, were jolted skyward by Mr. Trump’s Excellent Iranian Adventure. At the same time, the artificial intelligence (AI) boom touched off a supercycle in memory and processing chips of all kinds. Defensive stocks were again under pressure as they were used as a source of cash to invest in more exciting ventures. This trend culminated in the largest ever initial public offering for a company—SpaceX’s \$75 billion sale of a 5% stake in the Final Frontier. It was several times oversubscribed. Mr. Musk must be unhappy with his investment bankers for leaving so much on the table. He only needed to sell 3% or 4% to raise the \$75 billion, and his trillionaire status would have been even more secure.

Despondent, your commentator resolved to never forecast or try to time the market again. That is, until the following chart (Figure 1) was brought to his attention.

The chart divides market groups into three broad categories: Technology, Traditional Cyclical, and Defensives. The technology weighting had been rising steadily, no surprise there, but in recent months the weighting has been skyrocketing. Cyclical have been fairly steady, but the weighting in Defensives (mostly Healthcare and consumer-related companies) has plunged. Never in modern history has safety had such modest weights in the markets. The Technology boom has overwhelmed it. The ship sails faster and faster, but nobody is checking the lifeboats.

As I see it, there are three big themes in investing today. The oldest one is the drive to decarbonize and electrify the world economy. This one was flagging until the Iran conflict that closed the Strait of Hormuz. The states dependent on imported fuels in South and

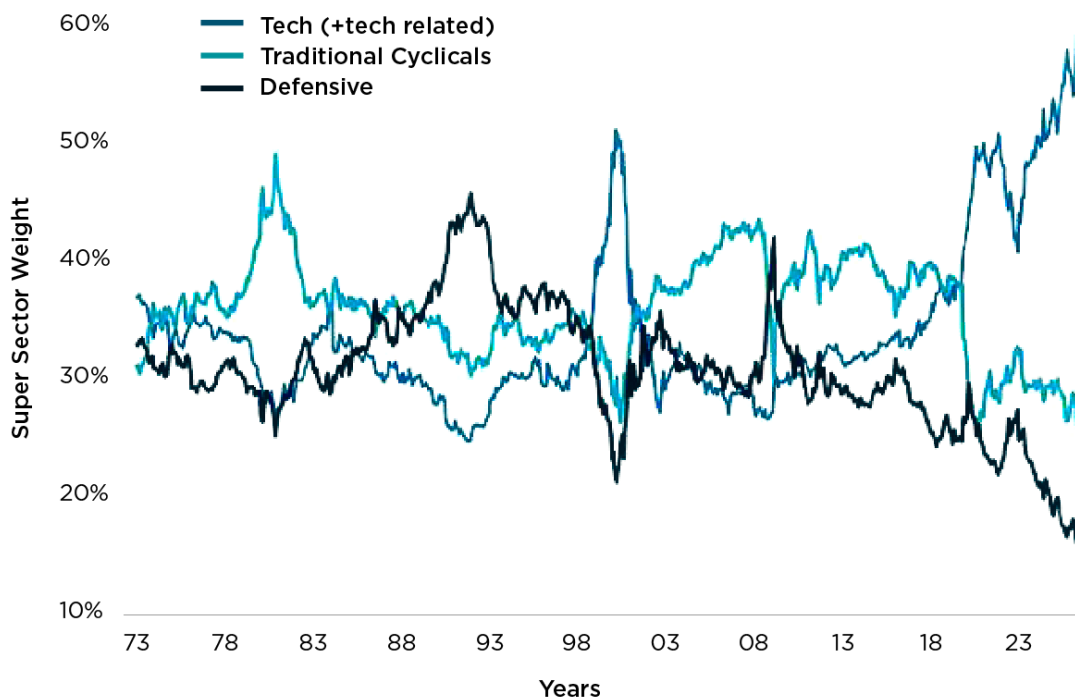
East Asia and Europe have been forcibly reminded of their strategic weakness in this area. Japan, South Korea, China, India, and Indochina are all, we may be sure, squaring up to invest massively in wind power, solar power, nuclear power, and battery storage. Europe must also do so.

The second theme is military spending. Russia's invasion of Ukraine and the Trump administration's tough talk with dependent allies have led to a huge uptrend in orders for conventional ships, aircraft and artillery as well as drones of all shapes, sizes, and levels of complexity. AI and tech hardware are also a big part of the military spending story.

Last is the AI buildout about which so much has been written. Without belabouring the matter, the scale of investment here is mind-boggling.

All three of these trends have investment requirements that are expressed in percentage points of global GDP rather than dollar amounts. Combined,

FIGURE 1. MARKET CAP WEIGHTINGS (SUPER SECTORS): USA



Source: Topdown Charts, LSEG

they are a mighty tide of spending that must come from somewhere. And as my favourite Danish prince would say, there's the rub.¹ The first two of these themes are largely financed by government or quasi-governmental regulated industries. And there are no really well-financed major governments on Earth. The AI boom is financed by hyperscaler companies whose financial power is undeniable but who nevertheless are soaking up countless billions in debt finance worldwide.

I think these three trends cannot indefinitely coexist. They will inevitably clash, and someone will have to prioritize and ration capital or technology—or both. Since the Treaty of Westphalia in 1648, the most powerful actors on Earth have been nation-states. I like their chances to be the arbiters here. The most likely casualties will be entities that are non-sovereign, solvent, and unpopular. Sounds like a good description of the tech bros and their companies.

When the three trends converge, it will be a very good thing to own companies that supply the basics of daily human life. This market and this economy badly need a reminder of that concept. While we wait, we can dream of godlike capabilities and extraplanetary travel. That is human too. **B**

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REFERENCES

1. Hamlet (Act 3, Scene 1)

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